



Council 4 AFSCME Testimony
3/12/13

Insurance Committee

My name is Brian Anderson. I am a legislative representative for Council 4 AFSCME, a union of Connecticut public and private employee members.

Council 4 opposes:

H.B. No. 6611 (RAISED) AN ACT CONCERNING PUBLIC EMPLOYEE'S PENSIONS SOLVENCY.

This bill would create a request for information for starting a "dead peasant" insurance plan to fund the state employee pension plan. Then the bill mandates that the Treasurer would take steps to start implementing a "dead peasant" plan without even waiting to see what the request for information would yield. This is a poor idea. The state treasurer has done an exceptionally good job of investing the state pension funds. The returns have been strong. Why should the state shift funds from these investments to insurers to invest for us? As a state we can do it ourselves and avoid paying additional fees and costs to an insurer.

The other downside is risk. It seems far riskier to send funds to an insurer to invest hoping, that in many years to come, that the insurer will be able to cover the payment due. Though this idea has been shopped around to many states, no state has implemented such a plan.

This bill appears to be a way to institute Lincoln Financial's "dead peasant" insurance on the lives of state employees in lieu of funding the state pension plan. We believe that is a risky and morbid idea. A similar bill has been killed by the legislature the past two sessions. Also, Governor Malloy and the General Assembly made changes and have set a schedule to fully fund the one state employee pension plan (Tier I) that was underfunded from its start. We cannot think of a worse vehicle to handle the state's pension funds than this "dead peasant" idea.

"Dead Peasant" insurance was originally coined by the southern supermarket chain Winn-Dixie which, like Wal-Mart and other bad employers, under-pays their employees while shifting the burden of providing for their medical care, even food to taxpayers.

We see no public benefit to this bill and only increased risk. Therefore we urge the committee to reject it. Thank you for your consideration. I would be happy to answer any questions.